



Edition: 11/2010

MINNESOTA REQUIREMENTS, LIFE INSURANCE – GROUP

I. Minnesota Specific Requirements to be Included in Life Insurance Policies

The following are the requirements that the department analysts will be applying to group life insurance filings submitted to the department. Every item on the checklist applies to all types of life insurance unless there is specific language that it does not. **Additional requirements for Variable Contracts and actuarial review criteria for all life insurance contracts appear in separate checklists.**

A. Readability Requirements

Minn. Stat. Chapter 72C All forms must comply with the requirements of Minnesota Chapter 72C, including achieving a Flesch scale analysis readability score of more than 40.

B. Signatures Required

Minn. Stat. §60A.08, subd. 5 All insurance policies shall be signed by the secretary or an assistant secretary, and by the president or vice-president, or in their absence, by two directors of the insurer. The signatures may be facsimile signatures.

Minn. R. Part 2605.0400 Filings made solely to change a company name or officer signature, correct printing errors, or make editorial changes are subject to filing fees.

C. Minnesota Life and Health Guaranty Association

Minn. Stat. §61B.28, subd. 7 A copy of the Life and Health Insurance Guaranty Association notice in the form specified in Minn. Stat. §61B.28, subd. 8 must be delivered at the time of application for that policy or contract or at the time of delivery of the policy or contract. The notice may be part of the application.

D. Definition – Group Insurance – Eligible Groups

No language addressing this statutory provision is required in the policy, but these are the criteria that will be applied for the analyst to determine whether a group is valid.

Minn. Stat. 60A.02, Subd. 28 “Group insurance” means that form of insurance coverage sponsored by:

(1) an employer covering not less than two employees and which may include the employees’ dependents, consisting of husband, wife, children, and actual dependents residing in the household, written under a master policy issued to any employer or group of employers who have joined into an arrangement for the purposes of providing the employees insurance for their individual benefit. Employees’ dependents, consisting of husband, wife, children, and actual dependents residing in the same household are not employees for purposes of this definition except for a spouse employed on a regular full-time basis by the same employer. This clause does not apply to chapter 62L.

(2) an association to provide insurance to its members (as defined in Minn. Stat. 60A.02, Subd. 1a.)

(3) a creditor to provide life insurance to insure its debtors in connection with real estate mortgage loans, in an amount not to exceed the actual or scheduled amount of their indebtedness.

E. Limits of Group Life Insurance

No language addressing this statutory provision is required in the policy, but these are the criteria that will be applied for the analyst to determine whether a group is valid.

Minn. Stat. 61A.09, subd. 4 Group life insurance offered to a resident of this state under a group life insurance policy issued to a group other than one described in section 60A.02, subdivision 28, shall be subject to the following requirements:

(1) no such group life insurance policy shall be delivered in this state unless the commissioner finds:

- (i) the issuance of the group policy is not contrary to the best interest of the public;
- (ii) the issuance of the group policy would result in economies of acquisition or administration; and
- (iii) the benefits are reasonable in relation to the premiums charged;

(2) no such group life insurance coverage may be offered in this state by an insurer under a policy issued in another state unless this state or another state having requirements substantially similar to those contained in clause (1) has made a determination that the requirements have been met;

(3) the premium for the policy must be paid either from the policyholder’s funds or from funds contributed by the covered persons, or from both; and

(4) an insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.

F. Group Life Insurance

Minn. Stat. § 61A.09, Subd. 1 Filing Requirements No group life insurance policy or group annuity shall be issued for delivery in this state until the form thereof and the form of any certificates issued thereunder have been filed in accordance with and subject to the provisions of Minn. Stat. §61A.02. Each person insured under such a group life insurance policy (excepting policies which insure the lives of debtors of a creditor or vendor to secure payment of indebtedness) shall be furnished a certificate of insurance issued by the insurer and containing the following:

- (a) name and location of the insurance company;
- (b) a statement as to the insurance protection to which the certificate holder is entitled, including any changes in such protection depending on the age of the person whose life is insured;
- (c) any and all provisions regarding the termination or reduction of the certificate holder's insurance protection;
- (d) a statement that the master group policy may be examined at a reasonably accessible place;
- (e) the maximum rate of contribution to be paid by the certificate holder;
- (f) beneficiary and method required to change such beneficiary;
- (g) a statement that alternative methods for the payment of group life policy proceeds of \$15,000 or more must be offered to beneficiaries in lieu of a lump sum distribution, at their request. Alternative payment methods which must be offered at the request of the beneficiaries must include, but are not limited to, a life income option, an income option for fixed amounts or fixed time periods, and the option to select an interest-bearing account with the company with the right to select another option at a later date;
- (h) **in the case of a group term insurance policy** if the policy provides that insurance of the certificate holder will terminate, in case of a policy issued to an employer, by reason of termination of the certificate holder's employment, or in case of a policy issued to an organization of which the certificate holder is a member, by reason of termination of membership, a provision to the effect that in case of termination of employment or membership, or in case of termination of the group policy, the certificate holder shall be entitled to have issued by the insurer, without evidence of insurability, upon

application made to the insurer within 31 days after the termination, and upon payment of the premium applicable to the class of risk to which that person belongs and to the form and amount of the policy at that person's then attained age, a policy of life insurance only, in any one of the forms customarily issued by the insurer except term insurance, in an amount equal to the amount of the life insurance protection under such group insurance policy at the time of such termination; and shall contain a further provision to the effect that upon the death of the certificate holder during such 31-day period and before any such individual policy has become effective the amount of insurance for which the certificate holder was entitled to make application shall be payable as a death benefit by the insurer.

G. Required Provisions; Life Insurance Policies

Exceptions:

These required provisions do not apply to **group term policies** (Minn. Stat. §61A.08)

Variable Life Policies: Any contract on a variable basis, delivered or issued for delivery in this state shall contain in substance provisions for grace, settlement option, loan or withdrawal and nonforfeiture appropriate to such a contract and a life insurance contract on a variable basis should also contain in substance a provision for reinstatement to such a contract.

Minn. Stat. §61A.03, subd. 1 No policy of life insurance may be issued in this state or by a life insurance company organized under the laws of this state unless it contains the following provisions:

(a) Premium A provision that all premiums are payable in advance either at the home office of the company, or to an agent of the company, upon delivery of a receipt signed by one or more officers named in the policy and countersigned by the agent, but a policy may contain a provision that the policy itself is a receipt for the first premium.

(b) Grace period A provision for a one month grace period for the payment of every premium after the first, during which the insurance will continue in force. The provision may subject the late payment to a finance charge and contain a stipulation that if the insured dies during the grace period, the overdue premium will be deducted in any settlement under the policy.

(c) Entire contract A provision that the policy constitutes the entire contract between the parties and is incontestable after it has been in force during the lifetime of the insured for two years from its date, except for nonpayment of premiums and except for violations of the conditions of the policy relating to naval and military services in time of war: that at the option of the company, provisions relative to benefits in the event of total and permanent disability and provisions which grant additional insurance

specifically against death by accident, may be excepted; and that a special form of policy may be issued on the life of a person employed in an occupation classified by the company as extra hazardous or as leading to hazardous employment, which provides that service in certain designated occupations may reduce the company's liability under the policy to a certain designated amount not less than the full policy reserve.

See Also: Minn. Stat. §61A.05, Life Policies to Contain Entire Contract Every policy of insurance issued or delivered within this state on or after the first day of January, 1908, by any life insurance corporation doing business within the state, shall contain the entire contract between the parties.

Every policy which contains a reference to the application, either as a part of the policy or as having any bearing thereon, shall have a copy of such application attached thereto or set out therein.

(d) Representations and warranties A provision that, in the absence of fraud, all statements made by the insured are representations and not warranties, and that no statement voids the policy unless it is contained in a written application and a copy of the application is endorsed upon or attached to the policy when issued.

(e) Misstatements of age A provision that if the age of the insured is understated the amount payable under the policy will be the amount the premium would have purchased at the correct age.

(f) Dividends on participating policies A provision that the policy will participate in the surplus of the company and that, beginning not later than the end of the third policy year, the company will annually determine and account for the portion of the divisible surplus accruing on the policy, and that the owner of the policy has the right, each year after the fifth, to have the current dividend arising from the participation paid in cash. If the policy provides other dividend options, it must specify which option is effective if the owner of the policy does not elect an option. The provision may condition any dividends payable during the first five years of the policy upon the payment of the next ensuing annual premium. This provision is not required in nonparticipating policies, in policies issued on under-average lives, or in insurance in exchange for lapsed or surrendered policies.

(g) Policy loans A provision:

(1) that after three full years' premium have been paid, the company at any time while the policy is in force, will advance, on proper assignment of the policy, and on the sole security thereof, at a specified rate of interest, not to exceed eight percent per annum, or at an adjustable rate of interest as otherwise provided for in this section, a sum equal to, or, at the option of the owner of the policy, less than the loan value thereof;

(2) that the loan value is the cash surrender value thereof at the end of the current policy year;

(3) that the loan, unless made to pay premiums may be deferred for not more than six months after the application for it is made;

(4) that the company will deduct from the loan value any existing indebtedness on the policy and any unpaid balance of the premium for current policy year, and may collect interest in advance on the loan to the end of the current policy year;

(5) that the failure to repay an advance or to pay interest does not void the policy unless the total indebtedness thereon to the company equals or exceeds the loan value at the time of the failure, nor until one month after notice has been mailed by the company to the last known address of the insured and of the assignee of record at the home office of the company, and

(6) that no condition other than those provided in this section will be exacted as a prerequisite to an advance. **This provision is not required on term insurance.**

(h) Reinstatement A provision that if, in event of default in premium payments, the nonforfeiture value of the policy is applied to the purchase of other insurance, and if that insurance is in force and the original policy has not been surrendered to the company and canceled, the policy may be reinstated within three years after the default upon evidence of insurability satisfactory to the company and payment of arrears of premiums with interest.

(i) Payment of claims A provision that, when a policy becomes a claim by the death of the insured, settlement will be made within two months after receipt of due proof of death.

(j) Settlement option A table showing the amount of installments in which the policy may provide its proceeds may be payable.

(k) Description of policy A title on the face and on the back of the policy briefly and correctly describing the policy in bold letters stating its general character, dividend periods, and other particulars, so that the holder will not be able to mistake the nature and scope of the contract.

(l) Form number A form number in the lower left-hand corner of the first page of each form, including riders and endorsements.

Any of the foregoing provisions or portions thereof relating to premiums not applicable to single premium policies must not be incorporated therein.

G. Interest Rates on Policy Loans

Minn. Stat. §61A.03, Subd. 2

(a) A life insurance policy which provides for policy loans must contain a provision concerning maximum policy loan interest rates as follows:

- (1) a provision permitting a maximum interest rate of not more than eight percent per annum; or
- (2) a provision permitting an adjustable maximum interest rate established from time to time by the life insurer as permitted by this subdivision.

(b) No life insurer may issue policies with a policy loan provision providing for an adjustable maximum interest rate under paragraph (a), clause (2), unless the insurer also makes available policies with a policy loan provision providing for a fixed rate of interest under paragraph (a), clause (1).

(d) If the maximum rate of interest is determined pursuant to paragraph (a), clause (2), the policy must contain a provision setting forth the frequency at which the rate is to be determined for that policy.

(e) The maximum rate referred to in paragraph (d) must be determined at regular intervals at least once every 12 months, but not more frequently than once in any three-month period. At the intervals specified in the policy:

- (1) The rate being charged may be increased whenever the increase as determined under (c) would increase that rate by one-half percent or more per annum; and
- (2) The rate being charged must be reduced whenever the reduction as determined under paragraph (c) would decrease that rate by one-half percent or more per annum.

(i) the pertinent provisions of paragraphs (a) and (e) must be set forth in substance in the policies to which they apply.

H. Suicide Provisions

Minn. Stat. §61A.031 The sanity or insanity of a person shall not be a factor in determining whether a person committed suicide within the terms of an individual or group life insurance policy regulating the payment of benefits in the event of the insured's suicide.

I. Spendthrift Provisions

Minn. Stat. §61A.04 In addition to the provisions now required by law to be in the standard form of life insurance policies issued or delivered in this state, there shall be, when such policy provides for the payment to the beneficiary the proceeds thereof, in

either monthly, quarterly, semiannual or annual installments, to continue during the lifetime of the beneficiary, or for a stipulated number of years, whenever requested by the insured under the policy, the following provisions:

All rights of the beneficiary to commute, change time of payment or amount of installments, surrender for cash, borrow against or assign for any purpose are hereby withdrawn and those parts of this policy giving the beneficiary such rights are hereby declared inoperative and void; it being the intent hereof that the beneficiary shall have no right under this contract except to receive the installments at such times and in such amounts as stated in this policy, and all the provisions of this policy in conflict herewith are hereby declared to be inoperative.

This provision may be attached to any policy in the form of a rider thereon, and, when so attached, shall become a part of and form a part of the contract of insurance, evidenced by the policy to all intents and purposes as if set forth at length therein.

J. Aviation and War Risk Exclusion Permitted

Minn. Stat. §61A.06 Policies of life insurance may be delivered or issued for delivery in this state which limit the amount to be paid in the event of death occurring as a result of travel or flight in, or descent from or with, any kind of aircraft if the insured

(1) is a pilot, officer, or member of the crew of such aircraft, or is participating in aeronautic or aviation training during such flight or

(2) is in the military, naval or air forces of any country and is being transported in a military, naval or air force aircraft.

Such amount shall not be less than the reserve on the policy plus any dividends standing to the credit of the policy and the reserve for any paid-up additions, less any indebtedness to the company on the policy. Such limitation may be made by a provision in the policy or by a rider made a part thereof provided that no such limitation shall be effective unless and until the insured or applicant shall agree in writing thereto; and provided further, that except in case of policies issued on the lives of persons who have received aeronautic or aviation training or whose occupation entails duty aboard aircraft in flight, such limitation shall apply only in event death occurs within five years after date of issue of the policy. This section shall not affect the validity of provisions which limit the amount to be paid in the event of death of the insured while in the military, naval or air forces of any country at war, or of provisions relative to benefits in the event of total and permanent disability, or of provisions which grant additional insurance specifically against death by accident. Policies issued by life insurance companies organized under the laws of this state for delivery in any other state, territory, district, or country may contain any provisions limiting the amount to be paid in the event of death which are permitted by the laws of such other state, territory, district, or country.

K. Prohibited Provisions

Minn. Stat. §61A.07 No policy of life insurance shall be issued or delivered in this state, or be issued by a life insurance company organized under the laws of this state, if it contains a provision:

- (1) for forfeiture of the policy for failure to repay any loan on the policy or to pay interest on such loan while the total indebtedness on the policy is less than the loan value thereof; or for forfeiture for failure to repay any such loan or to pay interest thereon unless such provision contain a stipulation that no such forfeiture shall occur until at least one month after notice shall have been mailed by the company to the last known address of the insured and of the assignee, if any, notice of whose address and contract of the assignment has been filed with the company, at its home office; or
- (2) in a life policy or annuity contract, limiting the time within which any action at law or in equity may be commenced to less than five years after the cause of action shall accrue; or
- (3) by which the policy shall purport to be issued or to take effect more than six months before the original application for the insurance was made; or
- (4) for any mode of settlement at maturity of less value than the amount insured on the face of the policy plus any dividend additions, less any indebtedness to the company on the policy, and less any premium that may be deducted by the terms of the policy.

L. Policies with Accelerated Benefits; Disclosures

Minn. Stat. § 61A.072, subd. 5

- (a) The terminology “accelerated benefit” shall be included in the descriptive title. Products regulated under this section shall not be described or marketed as long-term care insurance or as providing long-term care benefits.
- (b) A disclosure statement is required at the time of application for the policy or rider and at the time the accelerated benefit payment request is submitted that receipt of these accelerated benefits may be taxable and that assistance should be sought from a personal tax advisor. The disclosure statement shall be prominently displayed on the first page of the policy or rider and any other related documents.
- (c)(1) A written disclosure including, but not necessarily limited to, a brief description of the accelerated benefit and definitions of the conditions or occurrences triggering payment of the benefits shall be given to the applicant. The description shall include an

explanation of any effect of the payment of a benefit on the policy's cash value, accumulation account, death benefit, premium, policy loans, and policy liens.

(iii) **In the case of group insurance policies**, the disclosure form shall be contained as part of the certificate of coverage or any related document furnished by the insurer for the certificate holder.

M. Employee Group Life Insurance Plans

Minn. Stat. 61A.091, subd. 2 All group life insurance policies covering employees of an employer containing a waiver of premium benefits upon total disability of the employee shall provide that termination of the master policy, for any reason whatsoever, will be without prejudice to the claim of any covered employee who is suffering from a disability, as defined in the group life policy waiver of premium section at the time of the termination.

N. Continuation of Coverage for Life Insurance

Minn. Stat. 61A.092

Subd. 1 Continuation of Coverage Every group insurance policy issued or renewed within this state after August 1, 1987, providing coverage for life insurance benefits shall contain a provision that permits covered employees who are voluntarily or involuntarily terminated or laid off from their employment, if the policy remains in force for any active employee of the employer, to elect to continue the coverage for themselves and their dependents.

An employee is considered to be laid off from employment if there is a reduction in hours to the point where the employee is not longer eligible for coverage under the group life insurance policy. Termination does not include discharge for gross misconduct.

Subd. 5 Conversion to individual policy A group insurance policy that provides post-termination or layoff coverage as required by this section must also include a provision allowing a covered employee, surviving spouse, or dependent at the expiration of the posttermination or layoff coverage provided by subdivision 2 to obtain from the insurer offering the group policy, at the employee's, spouse's, or dependent's option and expense, without further evidence of insurability and without interruption of coverage, an individual policy of insurance contract providing the same or substantially similar benefits.

Subd. 6 Alternative to Minn. Stat. §61A.092, Subdivisions 1-5 Subdivisions 1-5 apply to a policy, certificate of insurance, or similar evidence of coverage issued to a Minnesota resident or issued to provide coverage to a Minnesota resident.

Subdivisions 1-5 do not apply to:

(1) a certificate of insurance or similar evidence of coverage that meets the conditions of section 61A.093, subdivision 2; or

(2) a group life insurance policy that contains a provision permitting the certificate holder, upon termination or layoff from employment, to retain the coverage provided under the employer's group policy or another group policy offered by the insurer by paying premiums directly to the insurer, provided that the employer shall give the employee notice of the employee's and each related certificate holder's right to continue the insurance by paying premiums, directly to the insurer.

The insurer may reserve the right to increase premium rates after the first 18 months of continued coverage under clause (2). A related certificated holder is an insured spouse or dependent child of the employee. Upon termination of this group policy or at the option of the insured who has continued coverage under clause (2), each covered employee, spouse, and dependent child is entitled to have issued to them a life conversion policy as prescribed in section 61A.09, subdivision 1, paragraph (h).

O. Contracts to Specify Benefits and Consideration

Minn. Stat. §61A.22 No life insurance company shall make any insurance, guaranty, contract, or pledge in this state, or to or with any citizen or resident thereof, which does not distinctly specify the amount and manner of payment of benefits and the consideration therefor, **except that contracts on a variable basis need not specify the amount of benefits thereunder or consideration after the initial premium.**

P. Requirement for Replacement Policies

Minn. Stat. §61A.57(d) The replacing insurer shall provide in its policy or contract, or in a separate written notice that is delivered with the policy or contract, that the applicant has a right to an unconditional refund of all premiums paid, which right may be exercised within a period of 30 days beginning from the date of delivery of the policy.

Q. Group Insurance; Benefits Continued if Insurer Changed

Minn. Stat. §60A.082 A person covered under group life, group accidental death and dismemberment, group disability income or group medical expense insurance, shall not be denied benefits to which the person is otherwise entitled solely because of a change in the insurance company writing the coverage or in the group contract applicable to the person. In the case of one or more carriers replacing or remaining in place after one or more plans have been discontinued, each carrier shall accept any person who was covered under the discontinued plan or plans without denial of benefits to which other persons in the group covered by that carrier are entitled.

For purposes of satisfying any preexisting condition limitation, the insurance company shall credit the period of time the person was covered by the prior plan, if the person has maintained continuous coverage.

R. Cancellation of Group Coverage, Notification to Covered Persons

Minn. Stat. §60A.085

(a) No cancellation of any group life, group accidental death and dismemberment, group disability income, or group medical expense policy, plan, or contract regulated under chapter 62A or 62C is effective unless the insurer has made a good faith effort to notify all covered persons of the cancellation at least 30 days prior to the effective cancellation date. For purposes of this section, an insurer has made a good faith effort to notify all covered persons if the insurer has notified all the persons included on the list required by paragraph (b) at the home address given and only if the list has been updated within the past 12 months.

(b) At the time of the application for coverage subject to paragraph (a), the insurer shall obtain an accurate list of the names and home addresses of all persons to be covered.

(c) Paragraph (a) does not apply if the group policy, plan, or contract is replaced, or if the insurer has reasonable evidence to indicate that it will be replaced, by a substantially similar policy, plan, or contract.

(d) In no event shall this section extend coverage under a group policy, plan, or contract more than 120 days beyond the date coverage would otherwise cancel based on the terms of the group policy, plan, or contract.

(e) If coverage under the group policy, plan, or contract is extended by this section, then the time period during which affected members may exercise any conversion privilege provided for in the group policy, plan, or contract is extended for the same length of time, plus 30 days.

S. Retroactive Termination Prohibited

Minn. Stat. §60A.086

Subd. 2 No plan of group life insurance shall permit the issuer to retroactively cancel, retroactively rescind, or otherwise retroactively terminate the coverage of an employee, dependent, or other covered person under the group coverage, without the written consent of that employee, dependent, or other covered person. For purposes of this subdivision, “covered person” includes a person on continuation coverage or eligible for continuation coverage.

Subd. 3

(a) This section does not apply where the group policy or contract is lawfully terminated retroactively and not replaced with substantially similar coverage.

(b) This section does not apply where the employee, dependent, other covered person committed fraud or misrepresentation with respect to eligibility under the terms of the group policy or contract or with respect to any other material fact, but retroactive termination without written consent must not be based upon the failure of the employee, dependent, or other covered person to meet the group sponsor's eligibility requirements, if the group sponsor requested the issuer of the coverage to include the person as a covered person.

(c) This section does not apply where the issuer of coverage described in subdivision 1 (group life insurance) retroactively terminates coverage of an employee, dependent, or other covered person solely because the group sponsor did not notify the issuer of the coverage in advance of the employee's voluntary or involuntary termination from employment, provided that the retroactive termination of coverage is effective no earlier than the end of the day of termination from employment. This paragraph does not affect continuation rights under federal or state law and does not limit the effect of section 62Q.16.